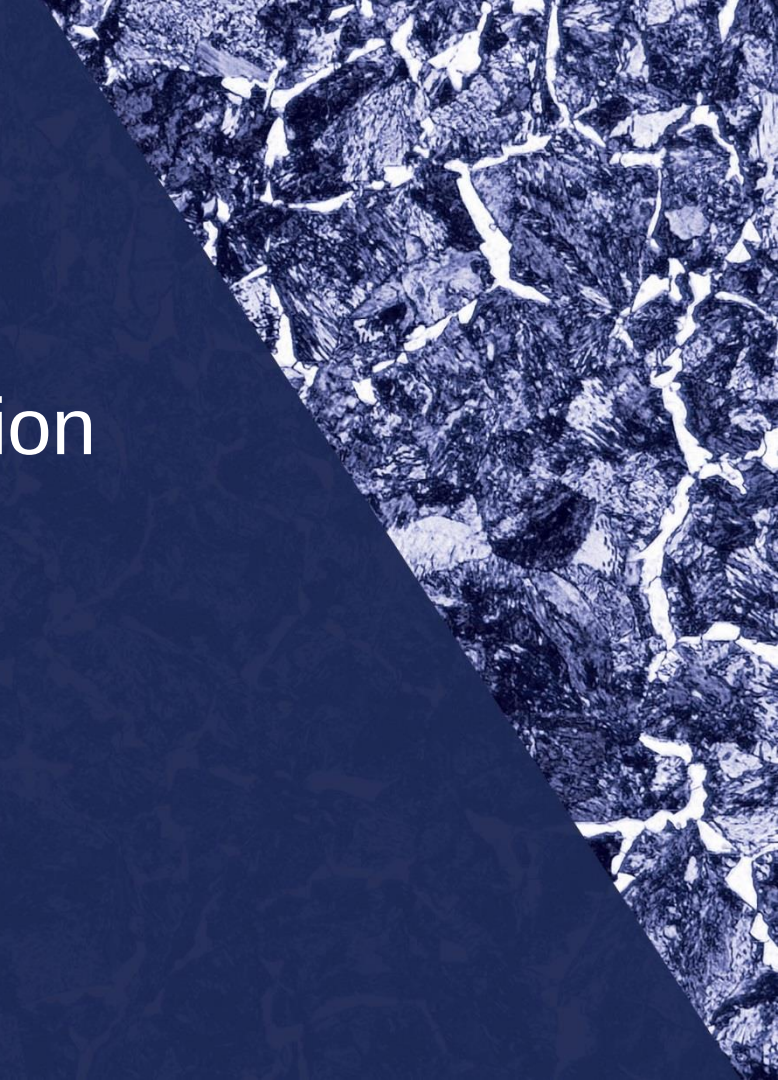
Second-Quarter 2018 Earnings & Investor Presentation

July 26, 2018



TIMKEN STEEL

Forward-looking statements and non-GAAP financial information

This presentation includes “forward-looking” statements within the meaning of the federal securities laws. You can generally identify the company’s forward-looking statements by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “outlook,” “intend,” “may,” “possible,” “potential,” “predict,” “project,” “seek,” “target,” “could,” “may,” “should” or “would” or other similar words, phrases or expressions that convey the uncertainty of future events or outcomes. The company cautions readers that actual results may differ materially from those expressed or implied in forward-looking statements made by or on behalf of the company due to a variety of factors, such as: deterioration in world economic conditions, or in economic conditions in any of the geographic regions in which the company conducts business, including additional adverse effects from global economic slowdown, terrorism or hostilities, including political risks associated with the potential instability of governments and legal systems in countries in which the company or its customers conduct business, and changes in currency valuations; the effects of fluctuations in customer demand on sales, product mix and prices in the industries in which the company operates, including the ability of the company to respond to rapid changes in customer demand, the effects of customer bankruptcies or liquidations, the impact of changes in industrial business cycles, and whether conditions of fair trade exist in U.S. markets; competitive factors, including changes in market penetration, increasing price competition by existing or new foreign and domestic competitors, the introduction of new products by existing and new competitors, and new technology that may impact the way the company’s products are sold or distributed; changes in operating costs, including the effect of changes in the company’s manufacturing processes, changes in costs associated with varying levels of operations and manufacturing capacity, availability of raw materials and energy, the company’s ability to mitigate the impact of fluctuations in raw materials and energy costs and the effectiveness of its surcharge mechanism, changes in the expected costs associated with product warranty claims, changes resulting from inventory management, cost reduction initiatives and different levels of customer demands, the effects of unplanned work stoppages, and changes in the cost of labor and benefits; the success of the company’s operating plans, announced programs, initiatives and capital investments (including the jumbo bloom vertical caster and advanced quench-and-temper facility), the ability to integrate acquired companies, the ability of acquired companies to achieve satisfactory operating results, including results being accretive to earnings, and the company’s ability to maintain appropriate relations with unions that represent its associates in certain locations in order to avoid disruptions of business; unanticipated litigation, claims or assessments, including claims or problems related to intellectual property, product liability or warranty, and environmental issues and taxes, among other matters; the availability of financing and interest rates, which affect the company’s cost of funds and/or ability to raise capital, the company’s pension obligations and investment performance, and/or customer demand and the ability of customers to obtain financing to purchase the company’s products or equipment that contain its products; the amount of any dividend declared by the company’s Board of Directors on the company’s common shares; and the overall impact of mark-to-market accounting. Additional risks relating to the company’s business, the industries in which the company operates or the company’s common shares may be described from time to time in the company’s filings with the SEC. All of these risk factors are difficult to predict, are subject to material uncertainties that may affect actual results and may be beyond the company’s control. Readers are cautioned that it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results and that the above list should not be considered to be a complete list. Except as required by the federal securities laws, the company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

The unaudited pro forma consolidated financial data in this presentation is subject to assumptions and adjustments described in the company’s registration statement on Form 10. TimkenSteel Corporation’s (“TimkenSteel”) management believes these assumptions and adjustments are reasonable under the circumstances. The unaudited pro forma consolidated financial data does not purport to represent what TimkenSteel’s financial position and results of operations actually would have been had the spinoff occurred on the dates indicated, or to project TimkenSteel’s financial performance for any future period following the spinoff.

This presentation also includes certain non-GAAP financial measures as defined by SEC rules. A reconciliation of those measures to the most directly comparable GAAP equivalent is contained in the Appendix. Please see discussion of non-GAAP financial measures in the Appendix.

Second-quarter 2018 highlights

- Safety performance in the first half remains top-quartile among steel manufacturers
- Shipments of approximately 310,000 tons increased 3 percent over first quarter, driven by strong market demand
  - Highest ship tons since first-quarter 2012
- EBITDA [(1)] improved $10 million or 45 percent over first-quarter 2018
- Announced base price increases effective October 2018 ranging from $40 to $100 per ton, depending on product
- TimkenSteel *Endurance* Steels Named American Metal Market's Best Product Innovation of the Year





William Bryan, EVP manufacturing and supply chain, was invited by OSHA representatives to speak about TimkenSteel's safety culture and programs at this year's Workers' Memorial Day event, held at Progressive Field prior to a Cleveland Indians game. TimkenSteel safety representatives also participated in an on-field event to promote workplace safety.

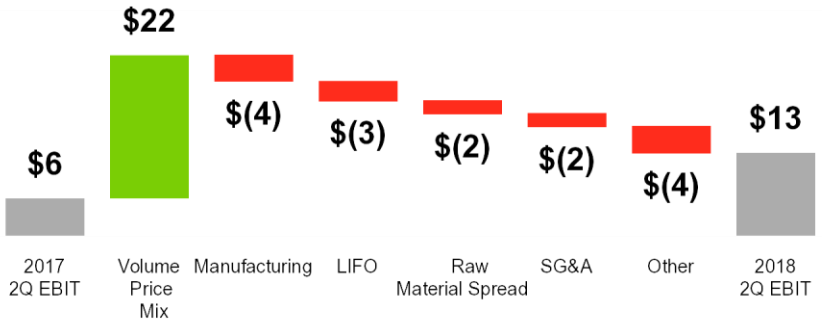
[(1)] *Please see the discussion of Non-GAAP Financial Measures in the Appendix*

Operating performance

(Dollars per million)

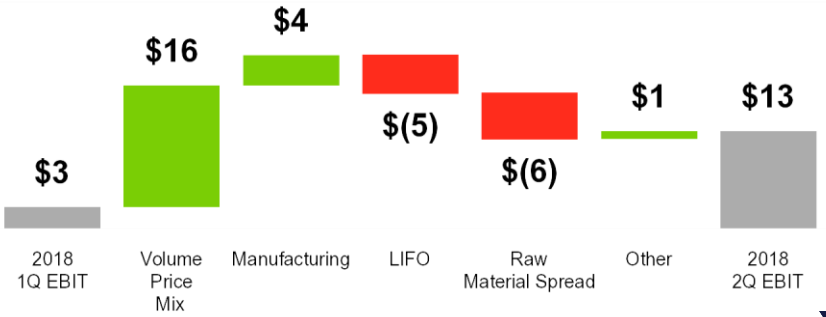
EBIT 2017 2Q vs. 2018 2Q

- Higher demand in industrial and energy end markets resulted in improved product mix and higher pricing
- Manufacturing costs higher from inflation, partially offset by fixed cost leverage
- LIFO from higher estimated year-end scrap prices and inflation
- Raw material spread impacted by higher cost of obsolete grades of scrap and timing
- SG&A driven by higher variable compensation
- "Other" includes prior-year supplier credits and current-year plant asset impairments



EBIT 2018 1Q vs. 2018 2Q

- Improved volume, product mix and price from increased end market growth, higher value product mix and 2018 price realization
- Manufacturing impact due to fixed cost leverage and efficiency driving lower cost per ton
- LIFO from higher estimated year-end scrap prices and inflation
- Raw material spread driven by higher cost of obsolete grades of scrap and timing
- "Other" includes non-recurring items, partially offset by plant asset impairments



2018 market outlook

Direct End Markets

	Market Sentiment	TimkenSteel Sentiment	
North American Light Vehicles			Market remains strong and stable with normal seasonality.
Mining			Continued strength in mining driven by strong commodities.
General Industrial			Market continues to grow.
Rail			Sales outlook continues to be flat.
Agriculture			Starting to rebound after multiple years of poor performance.
Oil and Gas			Market continues to grow modestly.
Oil County Tubular Goods (OCTG)			Drilled but uncompleted wells (DUCs) are at all-time highs.

Channels

Distribution			Industrial inventories balanced; levels in energy end-market have improved.

Source: TimkenSteel as of July 26, 2018

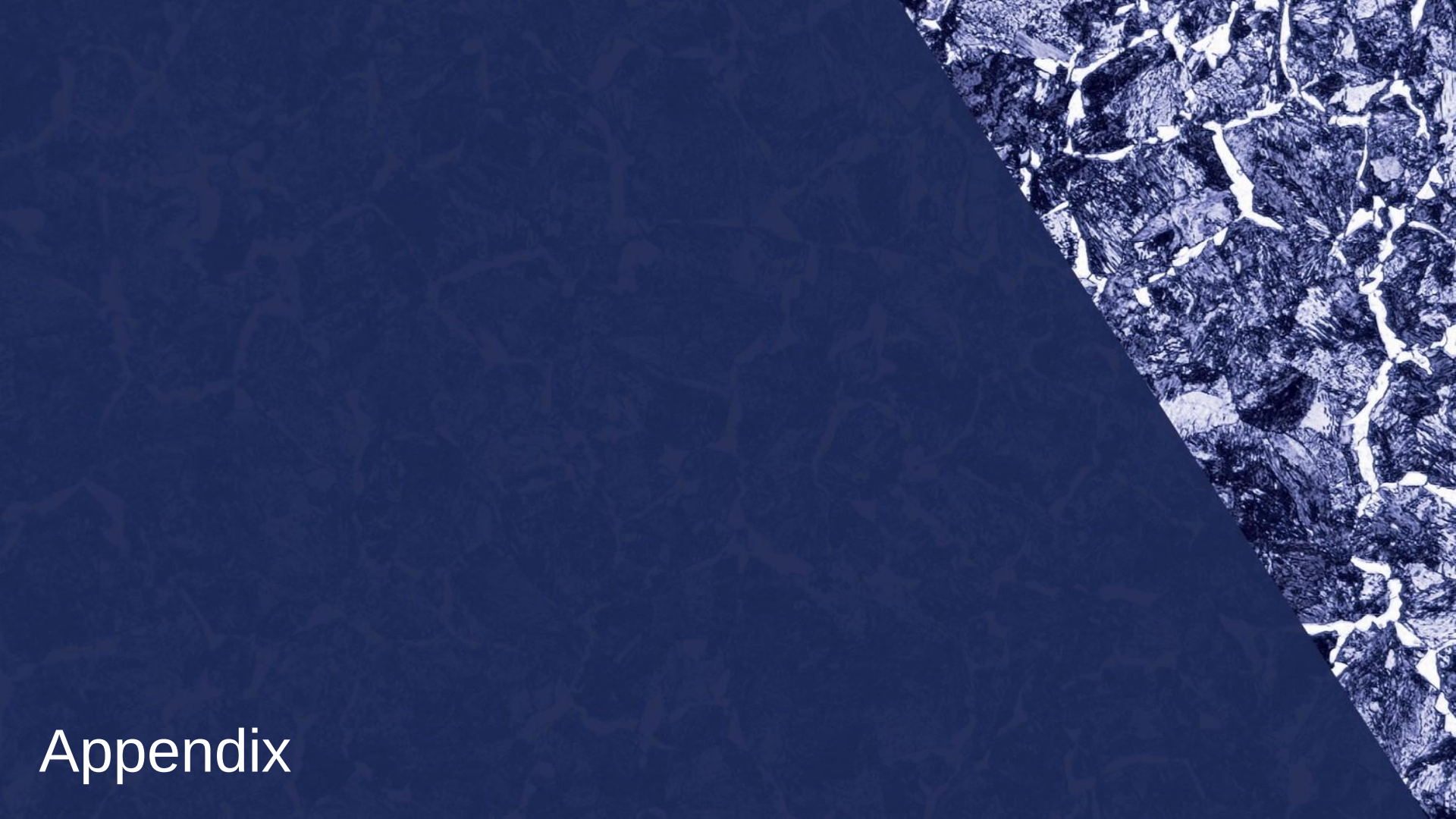
Outlook

Guidance

Third-quarter 2018 revenue	• Continued strength in end markets; shipments are expected to be similar to second-quarter 2018
Third-quarter 2018 EBITDA[(1)]	• Net income (loss) is projected to be between $(8) million and $2 million • EBITDA is projected to be between $15 million and $25 million • Raw material spread is expected to be a headwind of $4 million • Maintenance costs anticipated to be $14 million higher in third quarter due to planned maintenance outages • Inflation will be a continuing headwind
Other	• 2018 capital spending is projected to be $43 million

Source: TimkenSteel as of July 26, 2018

[(1)] *Please see the discussion of Non-GAAP Financial Measures in the Appendix*

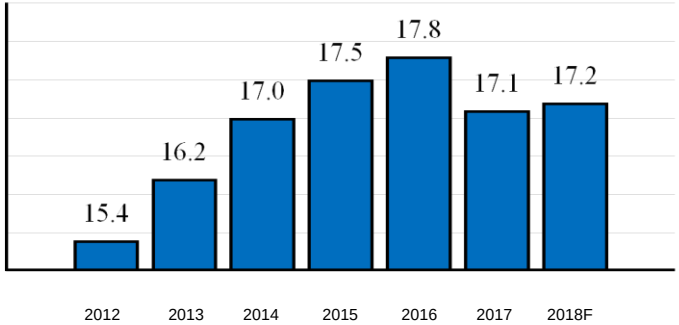


Appendix

Economic indicators

Mobile

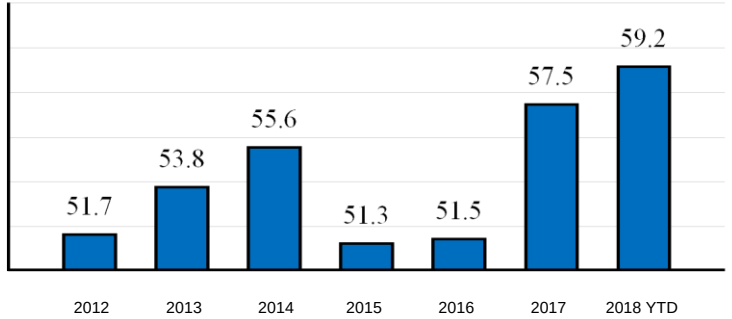
North American light vehicle production *(millions)*



Source: IHS Automotive (June 2018)

Industrial

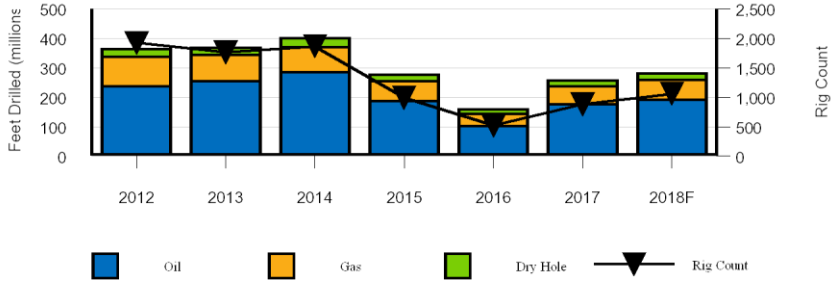
U.S. manufacturing PMI index, seasonally adjusted



Source: Institute For Supply Management (June 2018)

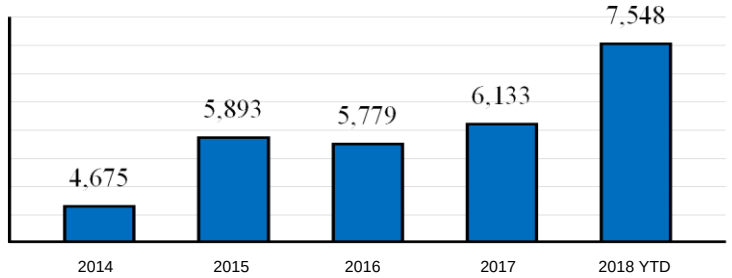
Energy

U.S. drilling activity



Source: Spears Drilling Production Outlook (June 2018)

Avg. drilled but uncompleted wells (DUC's)

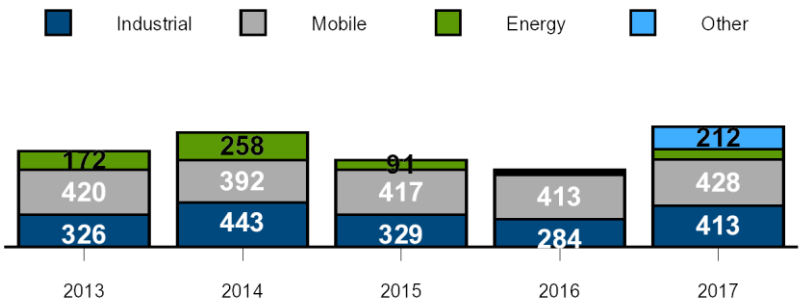


Source: Spears Drilling Production Outlook (June 2018) & EIA

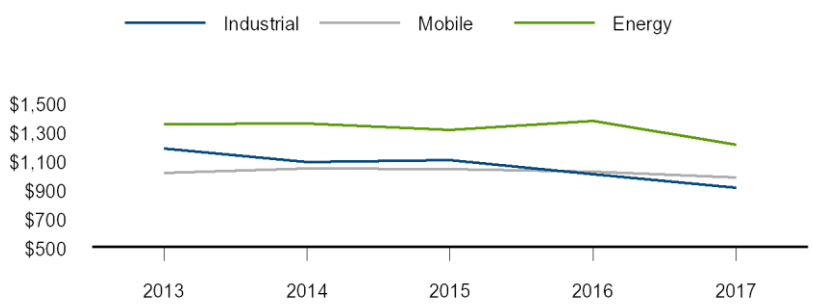
*EIA modified their calculations due to changes in correlation methodology for Q2, causing a historical restatement

Select performance history by end market

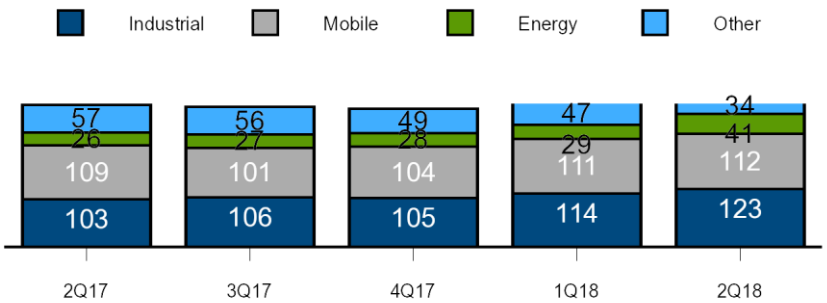
Shipments by end market (k tons)

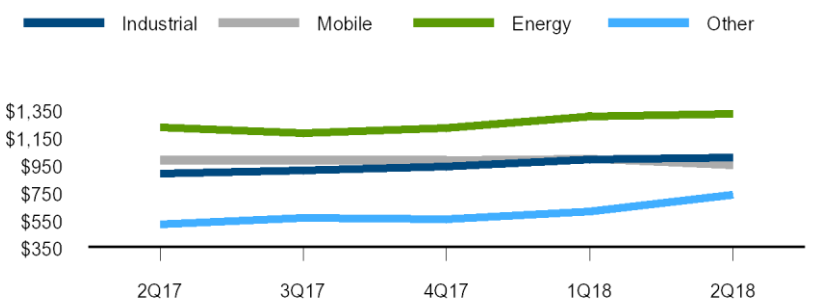


Average base sales by end market ($ / ton)[1,2,3]



Quarterly





Source: TimkenSteel, The Timken Company

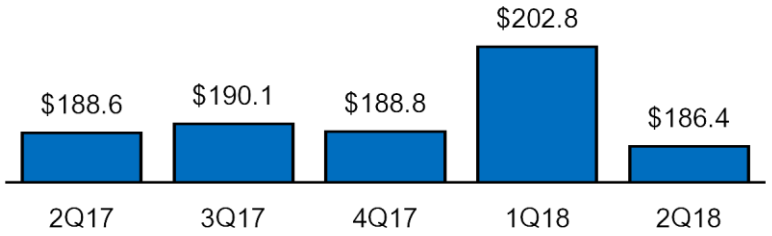
(1) *Net Sales excluding surcharges*

(2) *Please see the reconciliation of base sales to net sales in the Appendix*

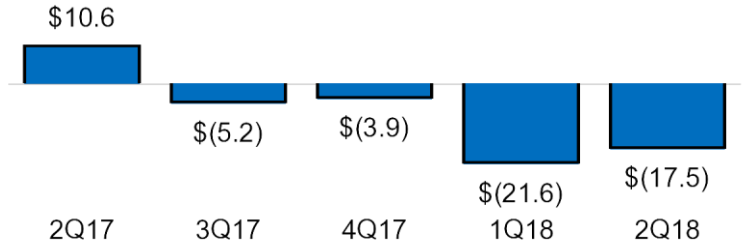
(3) *Billet business began in 2016 – represented in "Other"*

Financial performance - rolling five quarters

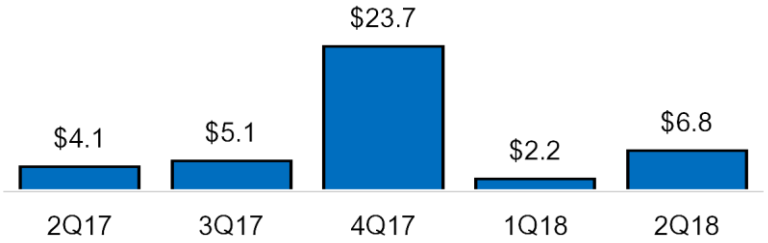
Liquidity ($m)



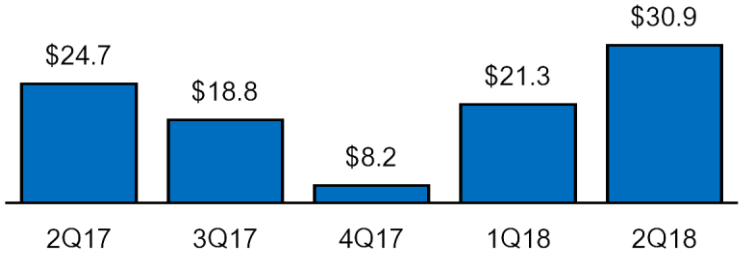
Free Cash Flow ($m)[2]



Capex ($m)



Adjusted EBITDA ($m)[1]



Source: TimkenSteel

(1) *Adjusted EBITDA is defined as EBITDA excluding the loss from remeasurement of benefit plans.*

(2) *Free Cash Flow is defined as net cash provided (used) by operating activities less Capital Expenditures (Capex)*

(1) Non-GAAP financial measures

TimkenSteel reports its financial results in accordance with accounting principles generally accepted in the United States (“GAAP”) and corresponding metrics as non-GAAP financial measures. This presentation includes references to the following non-GAAP financial measures: Base Sales, EBIT, EBITDA, Adjusted EBIT, Adjusted EBITDA and Free Cash Flow. These are important financial measures used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting Base Sales is important to investors as it provides additional insight into key drivers of net sales such as base price and product mix. Management believes that reporting EBIT, EBITDA, Adjusted EBIT and Adjusted EBITDA is useful to investors as these measures are representative of the Company’s performance and provide improved comparability of results. Management believes that reporting Free Cash Flow is useful to investors because it is a meaningful indicator of cash generated from operating activities available for the execution of its business strategy.

See the attached schedules for definitions of the non-GAAP financial measures referred to above and corresponding reconciliations of these non-GAAP financial measures to the most comparable GAAP financial measures. Non-GAAP financial measures should be viewed as additions to, and not as alternatives for, TimkenSteel's results prepared in accordance with GAAP. In addition, the non-GAAP measures TimkenSteel uses may differ from non-GAAP measures used by other companies, and other companies may not define the non-GAAP measures TimkenSteel uses in the same way.

Quarterly reconciliation of base sales[1] to GAAP net sales

The table below presents net sales by end market sector, adjusted to exclude raw material surcharges, which represents a financial measure that has not been determined in accordance with U.S. GAAP. We believe presenting net sales by end market sector adjusted to exclude raw material surcharges provides additional insight into key drivers of net sales such as base price and product mix.

Mobile

$m	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018
Net Sales	$ 135.6	$ 127.5	$ 128.9	$ 142.5	$ 141.6
Less: Surcharges	28.2	27.1	26.9	31.3	34.9
Base sales[1]	$ 107.4	$ 100.4	$ 102.0	$ 111.2	$ 106.7
Ship tons (k)	108.7	100.8	103.7	110.4	111.9
Avg. base sales per ton	$ 988.0	$ 996.0	$ 983.6	$ 1,007.2	$ 953.5
Avg. net sales per ton	$ 1,247.5	$ 1,264.9	$ 1,243.0	$ 1,290.8	$ 1,265.4

Industrial

$m	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018
Net Sales	$ 120.2	$ 126.3	$ 129.3	$ 147.7	$ 166.9
Less: Surcharges	27.7	28.8	29.7	35.2	42.9
Base sales(1)	$ 92.5	$ 97.5	$ 99.6	$ 112.5	$ 124.0
Ship tons (k)	102.8	106.2	105.0	113.7	123.0
Avg. base sales per ton	$ 899.8	$ 918.1	$ 948.6	$ 989.4	$ 1,008.1
Avg. net sales per ton	$ 1,169.3	$ 1,189.3	$ 1,231.4	$ 1,299.0	$ 1,356.9

Energy

$m	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018
Net Sales	$ 37.6	$ 37.7	$ 42.7	$ 49.1	$ 68.8
Less: Surcharges	6.0	6.4	8.2	11.0	15.1
Base sales[1]	$ 31.6	$ 31.3	$ 34.5	$ 38.1	$ 53.7
Ship tons (k)	25.7	26.7	27.7	29.0	40.5
Avg. base sales per ton	$ 1,229.6	$ 1,172.3	$ 1,245.5	$ 1,313.8	$ 1,325.9
Avg. net sales per ton	$ 1,463.0	$ 1,412.0	$ 1,541.5	$ 1,693.1	$ 1,698.8

Other

$m	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018
Net Sales	$ 45.9	$ 47.6	$ 40.5	$ 41.5	$ 36.2
Less: Surcharges	15.7	15.6	12.7	13.2	10.9
Base sales(1)	$ 30.2	$ 32.0	$ 27.8	$ 28.3	$ 25.3
Ship tons (k)	57.4	56.2	49.4	46.6	34.3
Avg. base sales per ton	$ 526.1	$ 569.4	$ 562.8	$ 607.3	$ 737.6
Avg. net sales per ton	$ 799.7	$ 847.0	$ 819.8	$ 890.6	$ 1,055.4

Source: TimkenSteel

[1]*Base Sales is defined as net sales adjusted to exclude raw material surcharges*

Figures in the table may not recalculate exactly as presented in the earnings release due to rounding

Yearly reconciliation of base sales[(1)] to GAAP net sales

The table below presents net sales by end market sector, adjusted to exclude raw material surcharges, which represents a financial measure that has not been determined in accordance with U.S. GAAP. We believe presenting net sales by end market sector adjusted to exclude raw material surcharges provides additional insight into key drivers of net sales such as base price and product mix.

Mobile

$m	2013	2014	2015	2016	2017
Net Sales	$ 550.4	$ 535.0	$ 504.4	$ 475.4	$ 528.6
Less: Surcharges	121.3	122.3	67.0	50.3	105.1
Base sales[(1)]	$ 429.1	$ 412.7	$ 437.4	$ 425.1	$ 423.5
Ship tons (k)	420.2	391.9	417.2	413.0	428.1
Avg. base sales per ton	$ 1,021.2	$ 1,053.1	$ 1,048.4	$ 1,029.3	$ 989.3
Avg. net sales per ton	$ 1,309.9	$ 1,365.1	$ 1,209.0	$ 1,151.1	$ 1,234.8

Industrial

$m	2013	2014	2015	2016	2017
Net Sales	$ 499.5	$ 649.2	$ 437.8	$ 323.7	$ 486.4
Less: Surcharges	112.0	162.2	72.3	35.9	106.6
Base sales[(1)]	$ 387.5	$ 487.0	$ 365.5	$ 287.8	$ 379.8
Ship tons (k)	325.6	443.4	328.9	284.3	413.4
Avg. base sales per ton	$ 1,190.1	$ 1,098.3	$ 1,111.3	$ 1,012.3	$ 918.7
Avg. net sales per ton	$ 1,534.1	$ 1,464.1	$ 1,331.1	$ 1,138.6	$ 1,176.6

Energy

$m	2013	2014	2015	2016	2017
Net Sales	$ 301.2	$ 458.1	$ 144.6	$ 35.7	$ 141.7
Less: Surcharges	66.9	105.5	24.4	3.2	23.5
Base sales[(1)]	$ 234.3	$ 352.6	$ 120.2	$ 32.5	$ 118.2
Ship tons (k)	172.4	258.4	91.0	23.5	97.0
Avg. base sales per ton	$ 1,359.0	$ 1,364.6	$ 1,320.9	$ 1,383.0	$ 1,218.6
Avg. net sales per ton	$ 1,747.1	$ 1,772.8	$ 1,589.0	$ 1,519.1	$ 1,460.8

Other

$m	2013	2014	2015	2016	2017
Net Sales	$ 29.9	$ 31.9	$ 19.4	$ 34.7	$ 172.5
Less: Surcharges	—	—	—	4.3	56.1
Base sales[(1)]	$ 29.9	$ 31.9	$ 19.4	$ 30.4	$ 116.4
Ship tons (k)	—	—	—	25.9	211.7
Avg. base sales per ton	—	—	—	$ 1,173.7	$ 549.8
Avg. net sales per ton	—	—	—	$ 1,339.8	$ 814.8

Source: TimkenSteel, The Timken Company

[(1)]*Base Sales is defined as net sales adjusted to exclude raw material surcharges*

Figures in the table may not recalculate exactly as presented in the earnings release due to rounding

Reconciliation of Earnings (Loss) Before Interest and Taxes (EBIT)[1], Adjusted EBIT[3], Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA)[2] and Adjusted EBITDA[4] to GAAP Net Income (Loss):

This reconciliation is provided as additional relevant information about the Company's performance. EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA are important financial measures used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA is useful to investors as these measures are representative of the Company's performance, and provide improved comparability of results. Management also believes that it is appropriate to compare GAAP net income (loss) to EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA.

$m	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018
Net Income (Loss)	**$1.3**	**($5.9)**	**($33.9)**	**($1.9)**	**$8.4**
Provision for income taxes	**0.8**	**0.1**	**0.3**	**0.1**	**0.2**
Interest expense	**3.7**	**3.7**	**3.8**	**4.6**	**3.9**
Earnings (Loss) Before Interest and Taxes (EBIT) [1]	**$5.8**	**($2.1)**	**($29.8)**	**$2.8**	**$12.5**
EBIT Margin [1]	**1.7%**	**(0.6)%**	**(8.7)%**	**0.7%**	**3.0%**
Depreciation and amortization	**18.9**	**18.6**	**18.5**	**18.5**	**18.4**
Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA) [2]	**$24.7**	**$16.5**	**($11.3)**	**$21.3**	**$30.9**
EBITDA Margin[2]	**7.3%**	**4.9%**	**(3.3)%**	**5.6%**	**7.5%**
Loss from remeasurement of benefit plans	**—**	**(2.3)**	**(19.5)**	**—**	**—**
Adjusted EBIT [3]	**$5.8**	**$0.2**	**($10.3)**	**$2.8**	**$12.5**
Adjusted EBITDA [4]	**$24.7**	**$18.8**	**$8.2**	**$21.3**	**$30.9**

Source: TimkenSteel

[1] EBIT is defined as net income (loss) before interest expense and income taxes. EBIT Margin is EBIT as a percentage of net sales.

[2] EBITDA is defined as net income (loss) before interest expense, income taxes, depreciation and amortization. EBITDA Margin is EBITDA as a percentage of net sales.

[3] Adjusted EBIT is defined as EBIT excluding the loss from remeasurement of benefit plans.

[4] Adjusted EBITDA is defined as EBITDA excluding the loss from remeasurement of benefit plans.

Figures in the table may not recalculate exactly as presented in the earnings release due to rounding.

Reconciliation of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)[1] to GAAP Net Income (Loss):

This reconciliation is provided as additional relevant information about the Company's third quarter guidance. EBITDA is an important financial measure used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting EBITDA is useful to investors as this measure is representative of the Company's performance and provides improved comparability of results. Management also believes that it is appropriate to compare GAAP net income (loss) to EBITDA.

$m

(Dollars in millions) (Unaudited)	Three Months Ended September 30, 2018 Low	High
Net income (loss)	($8.0)	$2.0
Provision for income taxes	0.5	0.5
Interest expense	4.0	4.0
Depreciation and amortization	18.5	18.5
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) [1]	$15.0	$25.0

[1]EBITDA is defined as net income (loss) before interest expense, income taxes, depreciation and amortization.

Reconciliation of Free Cash Flow[(1)] to GAAP Net Cash Provided (Used) by Operating Activities:

This reconciliation is provided as additional relevant information about the Company's financial position. Free cash flow is an important financial measure used in the management of the business. Management believes that free cash flow is useful to investors because it is a meaningful indicator of cash generated from operating activities available for the execution of its business strategy.

$m

(Dollars in millions) (Unaudited)	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018
Net Cash Provided (Used) by Operating Activities	**$14.7**	**($0.1)**	**$19.8**	**($19.4)**	**($10.7)**
Less: Capital expenditures	**(4.1)**	**(5.1)**	**(23.7)**	**(2.2)**	**(6.8)**
Free Cash Flow	**$10.6**	**($5.2)**	**($3.9)**	**($21.6)**	**($17.5)**

(1) Free Cash Flow is defined as net cash provided (used) by operating activities less Capital Expenditures (Capex)


TIMKENSTEEL